JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

State of Utah
DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil Gas and Mining

JOHN R. BAZA
Division Director

April 11, 2007

Mr. Preston Hafen
Color Country Rock, LLC, entity no. 4775820-0160
115 South Main
Veyo, Utah 84782

Subject: Request to Correct Permit Deficiency and Return of Completed Reclamation Contract, Rhyolite 1, S/021/032, Iron County, Utah

Dear Mr. Hafen:

On April 4, 2007, the Director of the Division of Oil, Gas and Mining signed the reclamation contract for the Rhyolite 1 Project, Notice of Intention to Conduct Mining, file number S/021/032. A copy of the executed reclamation contract/surety is enclosed for your records. This action has made it possible for your existing reclamation surety to be in place with the Division, however you should note that there are deficiencies either in your Notice of Intent or in your surety/bond amount that need to be rectified.

Right now the amount of surety/bond that is currently posted ($15,000) does not correspond with the information in your NOI. Your NOI indicates that your operation would be less than 5 acres, which we interpret to mean that you could disturb up to 5 acres at any time. Based on this information the Division requires surety in the amount of $20,700 ($5900 for the first acre and $3700 per acre for the other four acres).

If your Notice of Intent is not specific as to the area planned for disturbance, you may wish to amend the notice to more accurately reflect your plans since you may not want to disturb all 5 acres at any given time. You may want to amend your Notice to indicate that only 3 acres at the most would be disturbed before reclamation would occur. If this were the case, your current bond in the amount of $15,000 would be adequate. At such time as we receive and review an amended NOI we will determine an appropriate reclamation cost based on the new information and notify you of any changes needed to your surety/bond. If you choose not to amend your NOI we will expect the above stated amount ($20,700) to be filed with the Division within 30 days.

1594 West North Temple, Suite 1210, PO Box 145801, Salt Lake City, UT 84114-5801
telephone (801) 538-5340 • facsimile (801) 359-3940 • TTY (801) 538-7458 • *www.ogm.utah.gov*

UTAH DNR OIL, GAS & MINING

If you have questions or concerns regarding this letter, please contact me at (801) 538-5325 or Beth Ericksen at (801) 538-5318. Thank you for your help in completing this very important regulatory requirement.

Sincerely,

Daron R. Haddock
Permit Supervisor
Minerals Regulatory Program

DRH:pb
#1
Enc: small mine reclamation contract
cc: Beth Ericksen, DOGM
Russell Schreiner, BLM
P:\GROUPS\MINERALS\WP\M021-Iron\S0210032-RhyoliteQuarry\Draft\requestamendnoi.doc

FORM MR-RC (SMO)
Revised August 9, 2006
RECLAMATION CONTRACT

Mine Name: Rhyolite 1

Other Agency File Number: UTU-79327

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION of OIL, GAS and MINING
1594 West North Temple, Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801
(801) 538-5291
Fax: (801) 359-3940

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SMALL MINE RECLAMATION CONTRACT

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between ***Color Country Rock, LLC*** the "Operator" and the Utah State Division of Oil, Gas and Mining ("Division").

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. ***S/021/032*** which the Operator has filed with the Division and has been determined by the Division to be complete (Complete NOI) as required by the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (2005, as amended) (hereinafter referred to as "Act") and the regulations adopted pursuant to the Act; and

WHEREAS, Operator is obligated to reclaim the lands affected by the mining operations in accordance with the Act and the regulations, and is obligated to provide a surety in a form and amount approved by the Division or the Board of Oil, Gas and Mining (Board) to assure reclamation of the lands affected by the mining operations.

NOW, THEREFORE, the Division and the Operator agree as follows:

1. Operator agrees to promptly reclaim in accordance with the requirements of the Act and applicable regulations, as they may be amended, all of the lands affected by the mining operations conducted or to be conducted pursuant to a Complete Notice of Intention.

2. The Lands Affected by the mining operations and subject to the requirements of the Act and this Contract include:

    A. All surface and subsurface areas affected or to be affected by the mining operations including but not limited to private on-site ways, roads, railroads; land excavations; drill sites and

workings; refuse banks or spoil piles; evaporation or settling ponds; stockpiles; leaching dumps; placer areas; tailings ponds or dumps; work, parking, storage, and waste discharge areas, structures, and facilities; and

B. All mining disturbances regardless of discrepancies in the map and legal description, unless explicitly and clearly identified as EXCLUDED on maps, and legal descriptions included in the Complete NOI; provided lands may be excluded only if: (1) they were disturbed by mining operations that ceased prior to July 1, 1977; (2) the lands would be included but have been reclaimed in accordance with a complete notice or reclamation plan; or (3) the lands were disturbed by a prior operation for which there is no surety, no legally responsible entity or person, and which lands are not necessarily or incidentally intended to be affected by the mining operations as described in the Complete NOI.

3. The Operator shall be responsible for reclamation of all such Lands Affected regardless of errors or discrepancies in the maps or legal descriptions provided with the NOI which are intended to assist in determining the location of the mining operations, to describe the areas of disturbance, and to assist estimating the amount of surety required.

4. The Operator prior to commencement of any mining operations and as a precondition to the rights under the Notice of Intention shall provide a surety in a form permitted by the Act and in an amount sufficient to assure that reclamation of the Lands Affected will be completed as required by the Act. The Surety shall remain in full force and effect according to its terms unless modified by the Division in writing. A copy of the agreement providing for the Surety for the reclamation obligations herein is included as **ATTACHMENT A** to this Contract.

5. If the Surety expressly provides for cancellation or termination for non-renewal:

   A. The Operator shall within 60 days following the Division's receipt of notice that the Surety will be terminated or cancelled, provide a replacement Surety sufficient in a form and amount, as required by the Act, to replace the cancelled surety; or

   B. If the Operator fails to provide an acceptable replacement Surety within 60 days of notice of cancellation or termination, the Division may order the Operator to cease further mining activities, and without further notice proceed to draw upon letters of credit, to withdraw any amounts in certificates of deposit or cash and/or any other forms of surety, and to otherwise take such action as may be necessary to secure the rights of the Division to perfect its claim on the existing surety

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for the purpose of fully satisfying all of the reclamation obligations incurred by the Operator prior to the date of termination, and the Division may thereafter require the Operator to begin immediate reclamation of the Lands Affected by the mining operations, and may, if necessary, proceed to take such further actions as may be required for the Division to forfeit the surety for the purpose of reclaiming the Lands Affected.

6. The Operator's liability under this Contract shall continue in full force and effect until the Division finds that the Operator has reclaimed the Lands Affected by mining operations in accordance with the Act and regulations, as amended. If the mining operations are modified or for any other reason vary from those described in the Complete Notice of Intention, the Operator shall immediately advise the Division, and the Notice of Intention shall be revised and the Surety amount shall be adjusted as necessary.

7. If reclamation of a substantial phase or segment of the Lands Affected by the mining operations is completed to the satisfaction of the Division, and the Division finds that such substantial phases or segments are severable from the remainder of the mining area, Operator may request the Division to find that Operator has reclaimed such area. If the Division makes such finding, Operator may make request to the Division for a reduction in the aggregate face amount of the Surety, and the Division may reduce the surety to an amount necessary to complete reclamation of the remaining mining operations as anticipated by the Complete Notice of Intention in accordance with the requirements of the Act and regulations, as amended.

8. Operator may, at any time, submit a request to the Division to substitute surety. The Division may approve such substitution if the substitute surety meets the requirements of the Act and the applicable rules.

9. Operator agrees to pay all legally determined public liability and property damage claims resulting from mining operations, to pay all permit fees, to maintain suitable records, to file all required reports, to permit reasonable inspections, and to fulfill all sundry reporting requirements applicable to the mine as required by the Act and implementing rules.

10. Operator agrees to indemnify and hold harmless the State, Board, and the Division from any claim, demand, liability, cost, charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents and employees, or contractors to comply with this Contract.

11. If Operator shall default in the performance of its obligations hereunder, Operator shall be liable for all damages resulting from the breach hereof including all costs, expenses, and reasonable attorney's fees incurred by the Division and/or the Board in the enforcement of this Contract.

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12. Any breach of a material provision of this Contract by Operator may, at the discretion of the Division, in addition to other remedies available to it, result in an order by the Division requiring the Operator to cease mining operations, and may thereafter result in an Order, subject to an opportunity for notice and hearing before the Board, withdrawing and revoking the Notice of Intention, and requiring immediate reclamation by the Operator of the Lands Affected or forfeiture of the Surety.

13. In the event of forfeiture of the Surety, Operator shall be liable for any additional costs in excess of the surety amount that is required to comply with this Contract. Upon completion of the reclamation of all of the Lands Affected, any excess monies resulting from forfeiture of the Surety shall be returned to the rightful claimant.

14. The Operator shall notify the Division immediately of any changes in the Operator's registered agent, the Operator's address, form of business, name of business, significant changes in ownership, and other pertinent changes in the information required as part of the Notice of Intention. Notwithstanding this requirement, any changes to the Notice of Intention, and any errors, omissions, or failures to fully or accurately complete or update the information on the Notice of Intention, or the attached maps, shall not affect the validity of this Contract and the rights of the Division to enforce its terms.

15. If requested by the Division, the Operator shall execute addendums to this Contract to add or substitute parties, or to reflect changes in the Operator, Surety, and otherwise modify the Contract to reflect changes in the mining operations as requested by the Division. All modifications must be in writing and signed by the parties, and no verbal agreements, or modifications in any of the terms or conditions shall be enforceable.

16. This Contract shall be governed and construed in accordance with the laws of the State of Utah.

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The signatory below represents that the Operator, if not a natural person, is a properly organized entity in good standing under the laws of Utah and the United States, is registered as an entity authorized to do business in the State of Utah, and that he/she is authorized to execute this Contract on behalf of the entity as Operator.

OPERATOR:

Color Country Rock L.L.C.
Operator Name

By Preston L. Hafen
Authorized Officer (Typed or Printed)

Co Owner
Authorized Officer - Position

3/26/07
Officer's Signature Date

NOTARY PUBLIC
PENNY L SHELLEY
40 E St George Blvd
St George, UT 84770
My Commission Expires
July 18, 2010
STATE OF UTAH

STATE OF Utah)
) ss:
COUNTY OF Wash.)

On the 26 day of March, 20 07, Preston Hafen personally appeared before me, who being by me duly sworn did say that he/she is an Officer (owner, officer, director, partner, agent or other (specify)) of the Operator Color Co. Rock LLC and duly acknowledged that said instrument was signed on behalf of said Operator by authority of its bylaws, a resolution of its board of directors or as may otherwise be required to execute the same with full authority and to be bound hereby.

Penny L. Shelley
Notary Public
Residing at St George
7/18/2010
My Commission Expires:

RECEIVED
MAR 30 2007
DIV. OF OIL, GAS & MINING

DIVISION OF OIL, GAS AND MINING:

By _____ 4/4/07
John R. Baza, Director Date

STATE OF Utah)
) ss:
COUNTY OF Salt Lake)

On the 4 day of April, 2007, John R. Baza personally appeared before me, who being duly sworn did say that he, the said John R. Baza is the Director of the Division of Oil, Gas and Mining, Department of Natural Resources, State of Utah, and he duly acknowledged to me that he executed the foregoing document by authority of law on behalf of the State of Utah.

Penny Berry
Notary Public
Residing at: Salt Lake

1/11/2011
My Commission Expires:

PENNY BERRY
NOTARY PUBLIC - STATE OF UTAH
1594 W. NORTH TEMPLE, STE 1210
SALT LAKE CITY, UT 84116
My Comm. Exp. 01/11/2011

FACT SHEET

Commodity: Rhyolite
Mine Name: Rhyolite 1
County: Iron
Disturbed Acres: 5 (five)

Operator Name: Color Country Rock, LLC
Operator address: 115 S MAIN VEYO, UT 84782
Operator telephone: (435) 574-2760
Fax: (435) 574-2320
Operator email: lonny@infowest.com

Surety Type: LOC
Bank Name: SunFirst Bank
Surety Amount: $15000.00
Account number:

SunFirst BANK
120 East St. George Blvd.
St. George, Utah 84770
(435) 673-9610 (435) 688-1005 - FAX

RECEIVED
NOV 1 3 2006
DIV. OF OIL, GAS & MINING

IRREVOCABLE LETTER OF CREDIT

☑ APPROVED

Irrevocable Letter of Credit Number: ___ August 2, 2006
Account Party's Name: Color Country Rock, LLC
Account Party's Address: 291 East St. George Blvd
St. George, UT 84790

To: Utah Division of Oil, Gas, and Mining
1594 West North Temple Suite 1210
Box 145801
Salt Lake City, UT 84114-5801

United States Department of Interior
Bureau of Land Management
Utah State Office
P.O. Box 45155
Salt Lake City, UT 84145-0155

RE: Riolite Site Ser. # UTU-79327

1. We hereby establish this irrevocable and transferable Letter of Credit in your favor for one or more drawings to the United States Department of Interior BLM and Utah Division of Oil, Gas, and Mining in the amount of ($15,000.00) Fifteen Thousand Dollars. This Letter of Credit is payable at Sun First Bank's office at 120 East St. George Blvd., St. George UT. 84770, and expires with our close of business on August 2, 2007, or any automatically extended expiration period.

2. We hereby undertake to honor your or the transferee's sight draft(s) drawn on the issuing or, if any the confirming financial institution, for all or any part of this credit if presented with this Letter of Credit and confirmation, in any, at the office specified in paragraph 1 of this Letter of Credit on or before the expiration date or any automatically extended expiration date.

3. SunFirst Bank will notify the BLM Office at P.O. Box 45155, Salt Lake City Utah 84155-01 and Utah Division of Oil, Gas, and Mining Office at 1594 West North Temple Suite 1210 Box 145801 Salt Lake City, UT 84114-5801 if it does not plan to renew this Letter of Credit at least 90 days prior to the expiration date of this letter.

4. This Letter of Credit will automatically renew each year unless SunFirst Bank notifies the BLM and Utah Division of Oil, Gas, and Mining in writing as outlined in paragraph 3 above. The Bureau of Land Management and Utah Division of Oil, Gas, and Mining may collect under the terms of this letter if obligor defaults or any provision it has with the BLV and if obligor fails to replace the Letter of Credit within 30 days of the expiration date

5. This letter of credit is subject to the ICC Uniform Customs and Practice for Documentary Credits (ICC/UCP500), the International Standby Practices (ISP98) and/or the Uniform Commercial Code as determined by the issuer.

6. If this credit expires during an interruption of business of this financial institution as described in Article 17 of the UCP, the financial institution specifically agrees to effect payment if this credit is drawn against within 30 days after the resumption of our business.

Sincerely,
SunFirst Bank

John Allen, President

Lee Fife, Vice President

S/021/032

Rhyolite

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PERSONAL BOND AND POWER OF ATTORNEY
UNDER CONTRACT FOR MINERAL MATERIALS
July 31, 1947 (30 U.S.C. 601 et. seq.)

Individual Bond UTU-79327 (Enter Contract Number) **OR** Statewide Coverage _____ (Enter Name of State)

KNOW ALL MEN BY THESE PRESENTS, That Color Country Rock, LLC

_____, as Obligor, is held and firmly bound unto the United States Department of Interior-BLM and Utah Department of Natural Resources-Division of Oil Gas and Mining (UT DNR-DOGM) in the sum of Fifteen Thousand dollars dollars ($ 15,000.00) lawful money of the United States for the use and benefit of (1) the United States and (2) any owner of a portion of the land subject to the coverage of this bond, who has a statutory right to compensation in connection with a reservation of the above-mentioned deposits to the United States, for which payment, well and truly to be made, he binds himself, his heirs, executors, administrators, successors, and assigns, jointly and severally, as a further guarantee of which a deposit has been made with the Bureau of Land Management in the sum of $ 15,000.00 in the form of Bond.

The condition of the foregoing obligation is such that, whereas the Obligor has been granted the contract referred to above, upon the lands described therein and upon conditions therein expressed.

The said Obligor does hereby constitute and appoint the Secretary of the Interior as his attorney, to transfer and apply the said deposit as security for the faithful performance of any and all of the conditions or stipulations as hereinbefore set out, and it is agreed that, in case of any default in the performance of the conditions and stipulations of such undertaking, the said attorney shall have full power to assign, appropriate, transfer, and apply said deposit or any portion thereof and to apply proceeds to the satisfaction of any damages, or deficiencies arising by reason of such default as said attorney may deem best. The said Obligor hereby for himself, his heirs, executors. administrators, and successors, ratifies and confirms whatever his said Attorney shall do by virtue of these presents.

NOW THEREFORE, if said Obligor, his successors or assigns shall fully comply with the provisions of the contract referred to above, then and in that event the above obligation shall be null and void and the deposit shall be released and returned to the Obligor. Otherwise, said obligation shall remain in full force and effect.

Executed this 13th day of October, 2006.

Color Country Rock, LLC
Obligor

_____ President
Signature of Authorized Representative Title

3600 S. 1700 W. St. George, Utah 84790
Business Address

ACKNOWLEDGMENT from Notary Public:

State of Utah County of Washington

Subscribed and sworn to before me this October 13, 2006

by Jeffery Fawcett

Jennifer Seegmiller 4-15-2008
Notary Public My commission expires

JENNIFER SEEGMILLER
Notary Public
State of Utah
My Commission Expires April 15, 2008
619 South Bluff Street Ste 202, Saint George, UT 84770